

American Trade and Japanese Aggression

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SOBER, factual analysis of American trade relations with Japan since 1937 leads to even more disturbing conclusions than are usually entertained on this important issue. Many Americans are uneasily aware that the United States has been the main supplier of Japan's imports of war materials for these three years, a period in which the destructive Japanese assault on China has been relentlessly pursued. A much smaller number of Americans realize that the United States has also been the principal market for Japanese goods, supplying an overwhelmingly larger share of Japan's foreign exchange than any other country outside the yen bloc. Very few Americans, finally, are conscious of the changing composition of Japanese-American trade, and of the significance of this phenomenon in relation to Japan's industrial structure.

These three factors are essential to a rounded treatment, even if only in summary form, of the current status of Japanese-American trade. A balanced picture cannot be obtained unless the United States is constantly regarded both as the prime source of Japan's imports and the largest external (non-yen bloc) market for Japanese goods. The dynamic factor is added by consideration of the new forms, and the special direction, being taken by this trade, which supply indications as to trends for the future. In this article I have made a special effort to marshal the relevant factual data in outline and tabular form. I have necessarily interpreted this material in the light of my own judgments, but trust that the data offered will enable readers to reach their independent conclusions. On the export side, in particular, I have drawn

heavily on the bulletins issued by Dr. Hu Tun-yuan, of the Chinese Council for Economic Research, whose accurate and painstaking analyses of Japanese-American trade statistics deserve wider circulation and much greater recognition than they have thus far achieved.

THE AMERICAN RESPONSIBILITY

What commodities, essential to the prosecution of war, has the outside world been selling to Japan? What share in this export trade has been taken by the United States? Table 1 supplies answers to these questions for the 1937-38 period.¹

The over-all figures and percentages on the first line of the table clearly reflect the American position. Both in 1937 and in 1938 the United States supplied rather more than half Japan's imports of war materials. Toward the end of 1939 the European war restricted Japan's alternative sources of supply, thus increasing the relative importance of the American market for Japan. In 1940 this dependence has undoubtedly become even greater.

Equally significant is the high correlation between Japan's prime import necessities and the rank taken by the United States in their supply. Japan's seven leading war imports are petroleum and products, machinery, scrap iron, copper, aircraft, semimanufactures of iron and steel, and automobiles. For 1937-38 the United States furnished these seven commodities in amounts

¹ Source: Adapted from Hu Tun-yuan, *Statistical Excerpts from Japan's Problem of Procurement of Strategic War Materials*, Washington, D. C.: The Chinese Council for Economic Research, Bull. No. 15, May 1939, Tables 1(a) and 6 (no pagination).



ranging from 54 to 95 per cent. Exports of American aircraft to Japan were reduced to small quantities in 1939 as a result of the "moral embargo," but the United States has retained its leading position in the other six commodities. The European war, moreover, has thwarted Japan's efforts to increase imports of machinery and other goods

from Germany which had made some progress in 1938-39.

It is impossible to evade the conclusion which flows directly from these facts. For nearly three years the United States has garnered the profits from war trade with an aggressor, even while it was condemning that aggressor for violation of mutually shared treaty

TABLE 1—UNITED STATES SHARE IN WORLD EXPORTS TO JAPAN,
ESSENTIAL FOR WAR PURPOSES
(Value in U. S. Dollars)

Commodity	1937				1938			
	World Exports		U. S. Share		World Exports		U. S. Share	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
<i>Total</i>	317,209,688	100.00	173,009,621	54.54	306,393,950	100.00	171,574,167	56.00
Petroleum and Products ^a	71,598,824	22.57	44,900,486	62.71	81,034,885	26.45	53,135,672	65.57
Metal-working machinery ^a	17,578,766	5.54	12,223,524	69.53	36,448,527	11.90	24,454,707	67.09
Scrap or old iron and steel	44,752,546	14.11	39,385,832	88.01	24,407,089	7.97	22,061,212	90.39
Copper	20,184,773	6.36	19,212,434	95.18	24,385,546	7.96	22,163,778	90.89
Aircraft and parts ^b	3,538,757	1.11	2,483,946	70.19	22,692,655	7.41	17,454,477	76.92
Other iron and steel semimanufactures	49,218,217	15.52	32,676,320	66.39	20,973,343	6.84	11,251,804	53.65
Automobiles, parts, and accessories ^a	16,456,036	5.19	15,206,231	92.41	18,635,299	6.08	12,050,536	64.67
Rubber	28,678,611	9.04	171,362	0.60	14,864,069	4.85	249,792	1.68
Aluminum	4,808,810	1.52	280,061	5.82	13,095,231	4.27	476,345	3.63
Hides and skins	12,832,580	4.04	2,690,983	20.97	7,916,835	2.58	2,652,482	33.50
Nickel	5,740,697	1.81	218,638	3.81	6,624,440	2.16	157,317	2.38
Lead	7,708,198	2.43	754,358	9.79	4,613,888	1.51	2,100,054	45.52
Ferroalloys	1,717,712	0.54	1,366,062	79.53	2,819,420	0.92	2,331,979	82.71
Zinc	4,967,672	1.57	53,997	1.09	2,794,622	0.91	26,768	0.96
Internal combustion engines ^a	1,139,630	0.36	538,555	47.26	1,658,875	0.54	542,637	32.71
Arms and ammunition	2,626,918	0.83	49,038	1.87	696,186	0.23	100,365	14.42
Leather	2,562,460	0.81	702,942	27.43	528,369	0.17	44,676	8.46
Metals and alloys, not elsewhere specified	158,406	0.05	94,852	59.88	321,711	0.10	319,566	99.33
All others ^c	20,940,075	6.60	None	None	21,882,960	7.15	None	None

^a Including shipments to Manchuria; excluding kerosene.

^b Including shipments to Manchuria; U. S. A. figure for 1938 includes shipments to Shanghai.

^c Including ores, tin, antimony, mercury, mica, and asbestos.

TABLE 2—CLASSIFICATION OF UNITED STATES EXPORTS TO JAPAN
(In 1,000 dollars)

	January to November					
	1937		1938		1939	
	Value	Per cent	Value	Per cent	Value	Per cent
<i>Total</i>	271,948	100.0	211,093	100.0	203,719	100.0
War materials	157,041	57.8	142,235	67.4	142,230	69.8
Raw cotton	59,876	22.0	47,179	22.3	35,852	17.6
Others	55,031	20.2	21,679	10.3	25,637	12.6

obligations. Throughout this period it has been the overwhelmingly greatest supplier of Japan, with the next largest proportion (roughly 30 per cent) being furnished by the British, French, and Dutch empires combined. The United States must therefore assume the major share of responsibility for arming Japan in the latter's assault on China.

EMERGENCY VERSUS NORMAL EXPORTS

In the nature of things, war exports are an impermanent and—in the long run—often a costly phenomenon. This conclusion is particularly applicable to the current status of Japanese-American trade. It was inevitable that Japan, hard pressed for foreign exchange, should curtail its normal imports in favor of commodities urgently required for the prosecution of war. Legislation restricting imports of "nonessentials" became effective during the early months of the campaign in China. The results are shown in Tables 2 and 3, which illustrate the trends in our export trade with Japan since 1937.²

The broad significance of the percentages in Table 2 is obvious. War

materials accounted for 57.8 per cent of total American exports to Japan in 1937, but rose to 69.8 per cent in 1939. In the same period exports of raw cotton declined by nearly 5 per cent of the total, and other peacetime exports by nearly 10 per cent. But 1937, the base year for these calculations, was already an abnormal wartime year. When the comparison is carried back to the era preceding 1937, the change becomes even more marked.

The contrast is especially notable for raw cotton. On a five-year average, 1932–36, Japan consumed annually 1,921,000 bales of American cotton. In 1936 it took 1,641,000 bales. Then the sharp drop began. In the three years 1937, 1938, and 1939, Japan purchased respectively 1,169,000 bales, 899,000 bales, and 795,000 bales.³ Marked declines have also occurred in other peacetime American exports to Japan, notably leaf tobacco, timber, and wood pulp.

In the case of raw cotton the problem is further complicated and rendered even more ironic, by the fact that one of Japan's major war aims is the development of a large cotton-growing acreage in China. It has made some progress in this direction. On an annual average from 1932 to 1936, Japan imported 128,000 bales of cotton from China; in 1938 it secured 396,000 bales,

³ *Commerce Reports*, U. S. Department of Commerce, May 4, 1940, p. 415.

² Source: Hu Tun-yuan, Bull. No. 17, Jan. 31, 1940, pp. 2–3, The Chinese Council for Economic Research, Washington, D. C. These figures run somewhat smaller than those in Table 1, both because they cover only eleven months and because they do not include American exports to Manchuria.

TABLE 3—ITEMS IN UNITED STATES EXPORTS TO JAPAN ESSENTIAL FOR WAR PURPOSES
(In U. S. Dollars)

Commodity	January to November					
	1937		1938		1939	
	Value	Per cent	Value	Per cent	Value	Per cent
<i>Total</i>	<i>157,041,211</i>	<i>100.00</i>	<i>142,234,532</i>	<i>100.00</i>	<i>142,230,256</i>	<i>100.00</i>
Petroleum & Products	38,583,787	24.56	45,424,529	31.93	43,022,227	30.26
Iron & steel scrap	39,189,406	24.95	19,337,485	13.60	30,032,412	21.12
Copper	18,132,255	11.55	17,914,999	12.59	24,156,986	16.98
Metal-working machinery	9,120,839	5.80	21,669,836	15.23	22,449,295	15.78
Automobiles, parts & accessories	13,333,641	8.49	9,141,149	6.43	6,249,269	4.39
Ferroalloys	1,232,918	0.79	2,270,216	1.60	5,575,275	3.92
Iron & steel semimanufactures	31,014,071	19.75	10,615,534	7.46	2,874,685	2.02
Aircraft & parts	2,050,544	1.31	10,170,231	7.15	2,403,240	1.69
Lead	604,540	0.38	1,819,267	1.28	2,153,962	1.51
Hides & skins	2,414,918	1.54	2,487,273	1.75	1,663,510	1.17
Scrap rubber	171,362	0.11	212,698	0.15	729,334	0.51
Aluminum	249,991	0.16	317,697	0.22	454,550	0.32
Internal combustion engines	328,759	0.21	293,510	0.21	352,379	0.25
Nickel	186,217	0.12	135,460	0.10	53,068	0.04
Nonferrous metals, not elsewhere specified	75,771	0.05	308,007	0.22	47,062	0.03
Leather	262,927	0.17	15,826	0.01	12,445	0.01
Zinc	49,846	0.03	26,768	0.02	525	^a
Arms & ammunition	39,419	0.03	74,047	0.05	32	^a

^a Less than 0.01 per cent of total.

while in 1939 it obtained 299,000 bales. The decline last year is an indication of difficulties which are being encountered; yet if Chinese resistance were overcome, it is certain that progress would become much more rapid. Thus, the current sale of American war materials to Japan, by assisting the latter to establish its control in China, is creating a situation which may permanently eliminate the Japanese market for American cotton growers.

Examination of Table 3, which lists the specific items in our war trade with Japan, leads to conclusions which are similarly disquieting. The sale of metal-working machinery to Japan has steadily increased. American machine tools are helping to equip Japan's heavy industries and armament industries, which are being continuously expanded

even while Japan is prosecuting the war in China. In 1938 the United States supplied 67 per cent of Japan's total imports of metal-working machinery.⁴ On the other hand, Japan's imports of semimanufactured metal products and of automobiles are substantially declining—an indication of the increasing success of the development of its heavy industries.

Under different conditions, this evidence of Japanese industrial progress might well be greeted with favor. In the existing circumstances, however, the building of an efficient heavy industry in Japan brings serious consequences in

⁴ Cf. Table 1. Germany supplied 27 per cent in 1938, but this source of supply for Japan is now eliminated, and Japan's dependence on the United States for machine tools has thereby been enhanced.

its train. It strengthens Japan's military machine, and thus increases the chances of Japanese success in China. If success should be achieved, Japan would be more able to undertake a singlehanded development of its conquest. Finally, the United States is laying out vast sums on naval construction in order to check a potential enemy which is building up its armaments with extensive supplies of American equipment. The anomaly of this situation was partly recognized, but only in part, by the extension of the "moral embargo" early in 1940 to include American equipment, plans, and personnel being utilized by Japan in the building of petroleum-cracking plants for the production of high-test aviation gasoline.

SUPPLYING JAPAN'S FOREIGN EXCHANGE

The United States has not only furnished Japan with essential commodities for both the munitions and export industries. It has also constituted the largest individual market for Japanese goods outside the yen bloc. And since the yen bloc (Manchuria, occupied China, and the Japanese colonies) supplies very little foreign exchange,⁵ the United States is the critical export market for Japan. In 1939 Japan sold goods valued at 642,000,000 yen to the United States; in contrast, the next largest external market, British India, accounted for only 211,000,000, while the Netherlands Indies took but 138,000,000.⁶

The prominence of raw silk in this trade is well illustrated by Table 4.⁷

⁵ The yen bloc takes a heavy excess of imports from Japan proper, but shows virtually no credit balance in trade with third countries.

⁶ *Monthly Return of the Foreign Trade of Japan* (Tokyo: Department of Finance), Dec. 1939, p. 8.

⁷ Source: "Trade of the United States with Japan, China, Hong Kong and Kwantung, for

TABLE 4—PRINCIPAL UNITED STATES IMPORTS FROM JAPAN
(In 1,000 dollars)

Commodity	1937	1938	1939
<i>Total</i>	<i>204,201</i>	<i>126,762</i>	<i>161,196</i>
Raw silk	99,573	83,651	106,936
Crabmeat, sauce and paste	2,909	2,213	3,765
Tea	3,725	2,054	3,304
Cotton cloth, bleached	4,274	1,309	2,779
China and porcelain ware	3,351	1,859	2,072
Silk fabrics	3,402	2,788	1,989
Pyrethrum flowers	1,995	1,781	1,628
Tuna fish, canned	1,913	960	1,314
Hats, bonnets, and hoods	1,491	975	1,199
Hat braids	1,439	1,254	1,118
Others	80,129	27,918	35,092

In a list of Japan's ten principal exports to the United States, the leading item—raw silk—dwarfs the other nine. The relative importance of raw silk in 1939 was further exaggerated by the high prices which prevailed and from which Japan reaped an extraordinary profit. For \$23,000,000 more, the American manufacturers actually received in 1939 a much smaller volume of raw silk, i.e., 44,600,000 pounds as against 51,300,000 in 1938.

The severity with which Japan—driven by its need for foreign exchange—squeezed the American silk buyers last year undoubtedly hastened the appearance of "nylon," the synthetic substitute for raw silk. It will be some years before nylon is produced in quantity, however, and meanwhile Japan will have succeeded or failed in its attempted conquest of China. The possibility that natural silk may be superseded by a synthetic product forms an interesting parallel to Japan's efforts to carve out a cotton-growing area in China. For

the year 1939" (Washington, D. C.: Commerce Department), Feb. 21, 1940, p. 5; same for 1938, dated Feb. 21, 1939, p. 5.

more than a generation the Japanese-American trade relation has rested basically on an exchange of raw cotton for raw silk. War and the march of invention may abolish even this seemingly permanent characteristic of transpacific trade.

In the composite statement of Table 5,⁸ the full importance to Japan of its trade with the United States is indi-

TABLE 5—COMPOSITE UNITED STATES—
JAPAN TRADE
(In 1,000 dollars)

Year	U. S. Exports to Japan	U. S. Imports from Japan	Gold Purchases by U. S.	Silver Purchases by U. S.
1937	288,558	204,201	246,470	1,273
1938	239,575	126,820	168,740	2,929
1939	231,405	161,196	165,606	4,234
Totals	759,538	492,217	580,816	8,436

cated. During the three war years, Japan has imported American goods valued at approximately \$810,000,000 (including some \$50,000,000 not shown in the table). Of this total, roughly half a billion dollars was in imports of goods essential to the prosecution of war. In these three years, by its purchases of Japanese goods, the United States has also supplied Japan with foreign exchange aggregating \$492,000,000. Finally, the Treasury policy of purchasing unlimited amounts of gold at a fixed price has also enabled Japan to dispose of its gold reserves conveniently in this country, although the gold could in any case have been sold on the London market. The United States has drained Japan of its gold, but the latter has obtained the vitally necessary goods with which to carry on the war in China and expand its heavy industry.

⁸ Source: Hu Tun-yuan, Bull. No. 17, cited, Appendix C; also "Trade of the United States with Japan, China, Hong Kong and Kwantung, for the year 1939," cited, pp. 4-5.

THE AMERICAN ROLE

To any candid observer, the part played by the United States in the Far Eastern situation can hardly form the subject of dispute. American trade with Japan, by reason of its size and importance, cannot be shrugged off as a side issue. The scope of the United States commercial relationship with Japan, both on the export and the import side, makes this country a partner in Japanese aggression. This inescapable fact also serves to emphasize the extraordinary economic power which the United States, if it so desires, can bring to bear on the Sino-Japanese conflict. A unilateral American embargo would cripple Japan's ability to prosecute the destructive campaign waged in China, especially in view of the obstacles to alternative supply created by the European conflict.

A movement to enlist much more open and avowed American support against aggression in Europe is developing in the United States. Before we go further along this line, it would be advisable to stop for a moment to consider our record in the Far East. For nearly three years Japan has been engaged in an aggressive and destructive assault on China—with the overwhelming material support of the United States. It might be well to withdraw that aid to Japanese aggression before the call to halt German aggression is heeded. By what token does the Netherlands, Belgium, or Norway appeal with better grace than China? Under the Nine-Power Treaty, at least, we have moral commitments which specifically refer to China.

The Japanese-American trade treaty, which supposedly barred action on this issue, has lapsed. Yet normal trade relations with Japan are still continuing. Up to May 15, 1940, the date of writing, the State Department had still re-

fused to seek Congressional authority for an embargo, even on a discretionary basis. The American Government already possesses the requisite authority to impose restrictions on Japanese im-

ports. Yet no tonnage dues, countervailing duties, or tariff changes had been made effective by the middle of May 1940. The watchword in the Far East still seemed to be "business as usual."

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